

## Message Text

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ORIGIN SS-25

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EB/IFD - WMILAM  
ARA - MR. MCNEIL  
EUR/CE - NLAUDERDALE

-----076591 272326Z /73 S

O 272150Z APR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BONN IMMEDIATE  
AMEMBASSY LIMA

S E C R E T STATE 107980  
EXDIS  
E.O. 11652: XGDS

TAGS: MASS, EFIN, EAID, PE, GW

SUBJECT: PURCHASE OF WEST GERMAN SUBMARINES AND PERU'S  
FINANCIAL CRISIS

REF: (A) BONN 6719; (B) STATE 92362

1. EMBASSY BONN IS AUTHORIZED TO INFORM FRG OF USG RESER-  
VATIONS CONCERNING PURCHASE OF FOUR SUBMARINES BY PERU IN  
MIDST OF DIRE FINANCIAL CRISIS WHILE SIMULTANEOUSLY SEEKING  
SPECIAL ASSISTANCE FROM US AND OTHERS.

2. TALKING POINTS FOLLOW:

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A. USG HAS DISCUSSED IMPLICATIONS OF \$225 MILLION PURCHASE  
OF SUBMARINES AT THIS TIME WITH GOP REPRESENTATIVES, BOTH  
IN LIMA AND IN WASHINGTON, AT VARIOUS LEVELS, FROM DECEM-  
BER 1977 ONWARD.

B. OUR CONCERNS ARE AS DELINEATED IN PARA 2 AND 3 REF B.  
THESE CONCERNS CONTINUE TO PREVAIL EVEN THOUGH USSR HAS

REPORTEDLY PROVIDED GOP A ROLLOVER ON MILITARY DEBT DUE 1978-80.

C. WE ARE NOT CONCERNED WITH FRG'S DESIRE TO SELL SUB-MARINES NOR ARE WE ASKING FRG TO REFRAIN FROM SALE IN THIS

CASE. INSTEAD, WE ARE RAISING WITH PERUVIANS WHETHER PURSUANCE OF LARGE CONTRACTED MILITARY PURCHASE AT THIS TIME IS IN PERU'S OWN BEST INTEREST. WE ARE ASKING PERUVIANS TO CONSIDER WHETHER CANCELLATION, CUTBACK OR POSTPONEMENT OF PURCHASE WOULD NOT HELP IN RESOLUTION OF PERU'S FINANCIAL DIFFICULTIES. PERU IS NEGOTIATING WITH IMF AND IS INTERESTED IN RESCHEDULING OF BOTH GOVERNMENTAL AND PRIVATE DEBT. GOVERNMENTS AND ORGANIZATIONS INVOLVED IN RESPONSE TO PERU'S REQUESTS FOR EMERGENCY FINANCIAL HELP ARE CONCERNED AT ANYTHING THAT SIGNIFICANTLY ADDS TO DEBT OVERHANG.

D. NAVY AND FOREIGN MINISTRIES HAVE TO DATE GIVEN US LITTLE REASON TO BELIEVE THERE WILL BE ANY MODIFICATION OF CONTRACTED PURCHASE OF SUBMARINES. WE NONETHELESS FEEL OUR RESERVATIONS SHOULD BE LAID BEFORE GOP'S HIGHEST LEVELS, SINCE CUTBACK WOULD BE HELPFUL TO PERU'S FINANCIAL SITUATION.

E. SHOULD THE FRG SEEK TO DETERMINE WHETHER ANY DIRECT ADVANTAGE MIGHT ACCRUE TO THE US IF THE ORDER FOR GERMAN  
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SUBMARINES WERE CANCELLED OR CUT BACK, EMBASSY MAY STATE THAT SUCH ACTION BY THE GOP WILL NOT ADVANCE ANY COMPARABLE ARMS SALE BY THE US. IN THE FIRST PLACE, US MILITARY SALES TO PERU HAVE FOR SOME TIME EXCLUDED MAJOR END ITEMS. FMS CREDIT HAS BEEN NO MORE THAN \$10 MILLION A YEAR SINCE FY 76. USG APPROVAL OF THE TRANSFER TO PERU OF TORPEDO FIRE-CONTROL SYSTEMS FOR OLD US-SUPPLIED SUBMARINES MIGHT BE FACILITATED SHOULD THE GOP MODIFY ITS CURRENT PLAN TO SIGNIFICANTLY ENHANCE THE CAPABILITY OF ITS SUBMARINE FLEET, BUT THIS WOULD BE A RELATIVELY MINOR ITEM, COSTING A TOTAL OF \$6 MILLION.

3. FYI. AMBASSADOR SHLAUDEMANN HAS NOT YET MADE DEMARCHE TO PRESIDENT MORALES BERMUDEZ, BUT MAY DO SO VERY SHORTLY. DEPARTMENT SEES NO REASON WHY EMBASSY BONN SHOULD NOT BRIEF FRG FOREIGN MINISTRY NOW. WEST GERMAN AMBASSADOR IN LIMA SHOULD ALREADY BE AWARE OF USG CONCERN OVER PERU'S SUBMARINE PURCHASE. VANCE

NOTE BY OC/T: EXDIS CAPTION ADDED PER S/S-O, MS. KENNEDY.

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NNN

## Message Attributes

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